Annual Report

2005/06

2007-01560/

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MINISTER'S LETTER OF TRANSMITTAL

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 235
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

July 17, 2006

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

It is my privilege to present the Annual Report of Materials Distribution Agency (MDA) for the year ended March 31, 2006.

This report marks the completion of MDA's thirteenth year as a Special Operating Agency, providing the Province and the broader public sector with quality, cost-effective centralized mail and materials management services. MDA continues to demonstrate its competencies by increasing its warehousing and distribution services for all areas of the government.

I commend the staff and management of MDA on the success they achieved in the last year with the merging of the two organizations. MDA continues to provide innovative services to the Manitoba Government.

Respectfully submitted,

R Lemieux

Ron Lemieux
Minister Responsible for
Materials Distribution Agency

DEPUTY MINISTER'S LETTER OF TRANSMITTAL

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 17, 2006

Honourable Ron Lemieux
Minister Responsible for the
Materials Distribution Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit the thirteenth Annual Report of Materials Distribution Agency (MDA) for the year ending March 31, 2006.

The Mail Management Agency (MMA) and MDA marked their first year of combined operations in 2005/06. The staff and managers worked diligently to merge the functions, structure and site of the two former agencies. I appreciate the commitment and hard work of the staff who are focused on continually improving the Agency's services.

We look forward to the new challenges and business opportunities the next year will bring to the new merged Agency.

Respectfully submitted,

Debra Woodgate
Chairperson of the
Materials Distribution Agency Advisory Board

CHIEF OPERATING OFFICER'S LETTER OF TRANSMITTAL

I am honoured to present the Agency's thirteenth Annual Report as a Special Operating Agency.

Materials Distribution Agency (MDA) has a vision to be the leader for distribution services for the provincial government. To save clients resources and time, we must be prompt, attractively priced and reliable, and, we must offer clients the services they require. Treasury Board authorized the merging of Materials Distribution Agency and the former Mail Management Agency (MMA) to streamline government distribution at one site.

Our main challenge this past year has been to amalgamate these two organizations into one Agency. To accommodate process and costs savings, we designed and built a new mail facility within 1715 St. James Street and moved the mail staff and operations here from 200 Vaughan. The staff has worked to merge computer systems, office functions and operational functions while ensuring our clients get the products and services they need. I must congratulate MDA staff for their work and ingenuity.

While implementing the tasks associated with the merger, our staff pursued new business opportunities and increased the work we do for existing partners.

We are proud of our ability to save our government clients time and money by offering a cost effective one-stop-shop for goods and services. Clients such as Employment and Income Assistance Program, Manitoba Textbook Bureau, and Manitoba Health have realized costs savings and time efficiencies through the use of MDA for their distribution of goods. We will provide even better service as we have committed to a constant improvement philosophy.

Finally, I would like to thank all of our clients for their continued support of MDA. When they ask MDA to take on their distribution projects, it is an endorsement of our vision and our commitment to excellence and we will do our utmost to exceed their expectations.

Most sincerely

Susan Boulter
A/Chief Operating Officer

Agency Staff

ϖ Ailyn Almendral ϖ Wayne Bell ϖ Dave Bishop ϖ Val Bodnarek ϖ Tamara Boehm ϖ Susan Boulter ϖ Greg Bowers ϖ Rhonda Boyd ϖ Neil Bretz ϖ Sherry Brown ϖ Brad Bruce ϖ Stephanie Bruner ϖ Mike Bryans ϖ Kathleen Burr ϖ Paul Buors ϖ Veralynne Cameron ϖ Glen Dela Cruz ϖ George Delorme ϖ Wes Dropko ϖ Rick Ducharme ϖ Doug Dueck ϖ Scott Dueck ϖ Todd Eisner ϖ Jean Ellis ϖ Geoff Enns ϖ Becky Fleury ϖ Dave Franchewski ϖ Jason Gaune ϖ Wilf Genaille ϖ Teresa Giesbrecht ϖ Gail Gilarski ϖ Garret Gilchrist ϖ Chris Goertzen ϖ Rob Grant ϖ Mike Guimond ϖ Dan Hawley ϖ Joel Hershfield ϖ Kurt Hoffmann ϖ Peter Horrock ϖ Sherry Huff ϖ Tony Johnson ϖ Roger Jubinville ϖ Sandra Kirkpatrick ϖ Ken Kologinski ϖ Darren Komonko ϖ Garry Kosheluk ϖ Paulette Kosheluk ϖ Kathy Kupfer ϖ Chantal Lambert ϖ Roger Larocque ϖ Monique Maclean ϖ Willie Mctavish ϖ Paige Mills ϖ Ihor Melnychuk ϖ Ron Mrozik ϖ Cindy Mulvena ϖ Robert Nicholls ϖ Ted Norrington ϖ Julie Paton ϖ Dave Peppin ϖ Yvette Pescitelli ϖ Chris Peteleski ϖ Lee Pomfret ϖ Perry Raccio ϖ Peter Roberts ϖ Pat Robilliard ϖ Carlos Rodriguez ϖ Chris Savoie ϖ Tracey Savoie ϖ Sherryl Sawatzky ϖ Brad Serafin, ϖ Murray Spence ϖ Stephanie Starr ϖ Harold Stevens ϖ Vicki Stevens ϖ Byron St. Hilaire ϖ Dan Thagard ϖ Richard Toorie ϖ Margareda Viveiros ϖ Louie Willman ϖ Mark Wilson ϖ Rose Wowryk ϖ

BACKGROUND

The Government of Manitoba has seventeen Special Operating Agencies (SOAs) under the *Special Operating Agencies Financing Authority Act*. In Manitoba, an SOA is an operational organization within a Government department. The Charter and the Schedule of Delegated Authorities defines the Agency's accountability relationships. These framework documents lay out target commitments for service levels and financial performance.

The SOA concept reflects Government's desire to support improved service to clients; increased latitude for innovation; empowerment of staff; better management of people; and clearly defined accountability for results. Agencies have more direct responsibility for results and additional flexibility regarding staffing, capital investments, rate setting, financial systems and accounting procedures.

Every year, SOAs must prepare a business plan that provides a blueprint for the activities, revenues and expenditures for the upcoming year. Once approved, the Agency is required to provide quarterly and yearly reports on progress against those goals.

Materials Distribution was created in 1974, to provide the Government with centralized materials management for Government departments, boards, commissions and agencies. With economies of scale, the organization provides lower cost in materials management. The Agency's mandate is to cost effectively meet the supply requirements of this wide spectrum of organizations within the broader public service. In 1993, the Materials Distribution Agency (MDA) was established as an SOA.

Postal Services was created to provide centralized mail services to Government Departments and publicly funded organizations. The branch became Mail Management Agency a Special Operating Agency on April 1, 1996, to ensure that the costs of postage, distribution and all other mail related processes are minimized and that mail is processed in a timely manner. It also provides one point of call for customers seeking postal information and expert guidance relating to their mailing requirements, problems or concerns.

Treasury Board directed the April 1, 2005 amalgamation of these two agencies to effectively consolidate the Government's distribution services at one site as one Agency. In 2005/06 staff and managers worked together to merge systems, sites, staff functions and client services. The Agency is committed to playing a key role in the Government of Manitoba supply chain and Government initiatives, and is developing a state of the art distribution centre known for its cost savings, fast turnaround time and client focused efforts.

AGENCY STRUCTURE

The Chief Operating Officer manages the day-to-day operations and reports to the Assistant Deputy Minister, Supply and Services Division of Transportation and Government Services. The Chief Operating Officer provides plans and reports to the Agency's Advisory Board for review, to the Minister of Transportation and Government Services and Treasury Board for final approval.

The members of the current Advisory Board are:

CHAIR

Debra Woodgate
Deputy Minister
Government Services

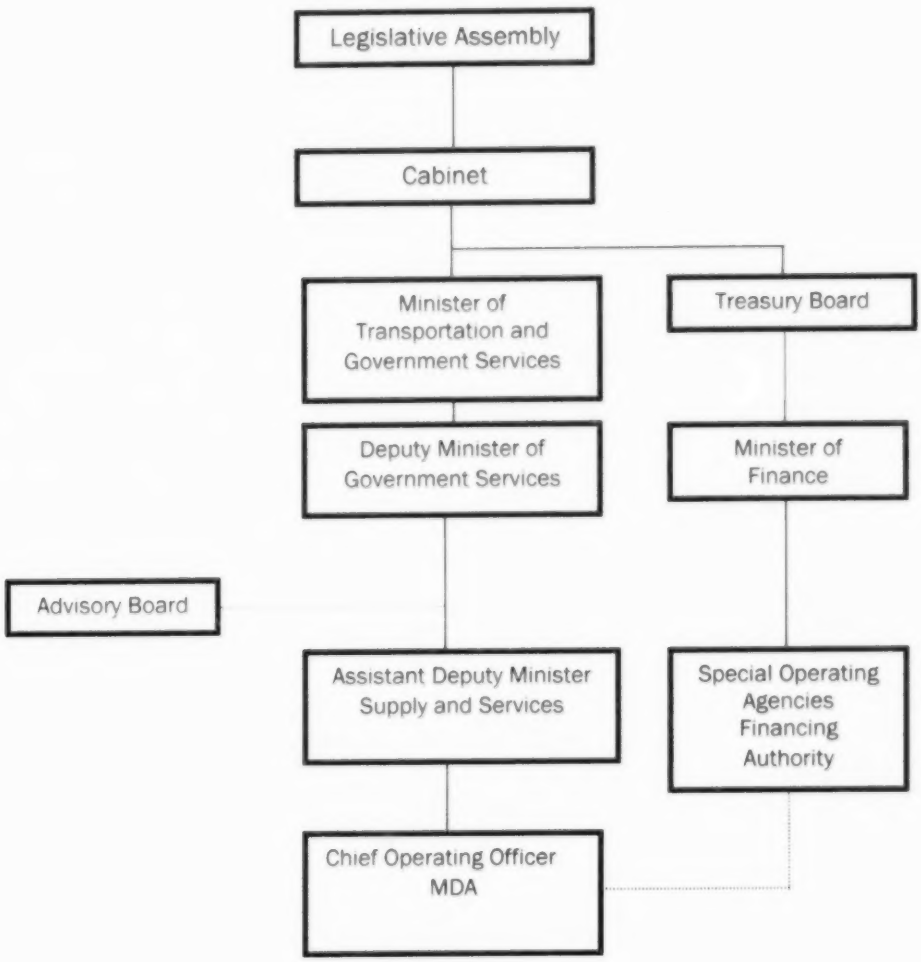
MEMBERS

Private Sector Representative	**Randy Manikel** RIO Management and Consulting	
Client Representatives	**John Hosang** Assistant Deputy Minister Manitoba Transportation and Government Services	**David Wotton** Assistant Deputy Minister Manitoba Conservation
Ex Officio	**Tracey Danowski** A/Assistant Deputy Minister Manitoba Transportation and Government Services	**Susan Boulter** A/Chief Operating Officer Materials Distribution Agency
Staff Representative	**Robert Nicholls** Transportation Coordinator Materials Distribution Agency	

The primary duties of the Board are to:

- Offer advice on the Agency's strategic direction and objectives, performance, business practices, marketing strategies, management and financial reporting requirements;
- Review the Agency's quarterly financial reports, Annual Business Plan, Annual Report and any proposed changes to the Agency Charter; and
- Offer support regarding private, public and client sector issues and initiatives.

The following chart shows how MDA fits into the Government structure:



MDA MISSION STATEMENT

The following are both the Agencies' Mission Statements for the 2005/06 fiscal year:

> MDA is an industry leader committed to providing cost effective products and services that exceeds client expectations.
>
> MMA's mission is to enable clients to expedite their products, information and correspondence through the most appropriate distribution alternative.

The amalgamated Agency has developed a new mission statement for the 2006-07 fiscal year.

ORGANIZATIONAL GOALS

Employees – To increase employee job satisfaction and foster a respectful workplace.

Service – To sustain and improve customer service by developing infrastructure, setting standards and meeting or exceeding customer needs.

Growth – To grow our business while maintaining or decreasing overall government expenditures.

ORGANIZATIONAL VALUES

The new Agency supports its mission statements and goals with its operating values. The values noted below are an amalgamation of the values of both Agencies and new values were developed for the 2006-07 fiscal year.

To provide clients with:

- Quality assured products and services at the lowest possible costs that meet their needs;
- Value added distribution, transportation and disposal services customized for their specific needs;
- Cost-effective management of assets and goods that results in resource savings, reliable service standards and reduced administrative overhead;
- Electronic reporting of program spending ;
- Evaluation and offering of environmentally responsible products to our clients and actively promote those products; and
- Superior service at reasonable cost, and lasting mutually satisfactory business relationships.

To provide suppliers with:

- Transparent and fair procurement practices; and
- Lasting, mutually satisfactory business relationships and extended access to tender documents, by paying open accounts promptly, and generally demonstrating good business ethics.

To support Government initiatives with:

- One stop procurement and distribution of goods that meet Government specifications and directives;
- Cost savings and value added services;
- The ability to advise Government clients about Government directives and programs
- Compliance of laws and regulations;
- Programs and services that serve our clients and promote risk reduction for the Government;
- Service solutions that contribute to affordable program delivery and ultimately to its bottom line; and
- Actions that demonstrate good corporate citizenship by complying with all laws and regulations and by promoting measures to eliminate or minimize risks to the environment.

To support employees with:

- Leaders who recognize and trust employees;
- A respectful workplace that values diversity and creativity;
- Clear objectives, challenging performance goals and appropriate training;
- A safe working environment for all employees in compliance with ongoing Workplace Health and Safety Regulations;
- Encouragement and acknowledgement of employee accomplishments through recognition and rewards;
- Training and development of employee skills and talents through career planning and educational support;
- Team building while recognizing individual effort within team frameworks; and encouragement of innovative ideas and promotion of creative thought.

AGENCY PRODUCTS

MDA purchases and sells a variety of stocked items and these distinct product lines and services are listed below:

Commodities	Line Items
Stationery and Office Supplies	1,173
Janitorial Supplies	381
Medical Supplies	1,562
Home Care Equipment	500
Office Furnishings and Furniture	233
Quality of Life Aids to Daily Living	95
MB Health Brochures	205
Total Line Items	4,149

AGENCY SERVICES

MDA provides the following lines of business and the related key services:

Mail Processing

MDA processes different types of mail for our clients. MDA weighs and ascertains postage of standard and oversized mail through high speed mail machines; letter mail that exceed the maximum dimensions or weight through one of two computerized shipping systems; high volume mail through permit mail using pre-printed indicia on envelopes; and prepaid mailings through use of numerically controlled Canada Post envelopes. The current cost to clients is made up of actual postage and a separate processing fee which varies depending on type (i.e. metered, permit etc.). Vendor rate increases will not automatically increase the Agency's processing fee. MDA has other products such as variable rate services including Business Reply mail, Returned mail, and Short Paid mail where the rate does not remain constant.

Mail Finishing

MDA provides clients with various types of mail finishing services such as envelope addressing, bursting of printed forms and cheques, folding of printed material, inserting into envelopes and manual collating of items into kits or envelopes. Current prices vary both with type of activity (i.e. bursting, folding etc.) and the volume. MDA may offer high volume customers lower prices but eligibility for this pricing is dependent on the quality of the customers' materials.

Interdepartmental Mail

Clients purchase Prepaid Labels in four denominations (Letter, Oversize Letter, Small Packet, and Parcel). Label fees are based upon the size of the item being mailed or the service provided. MDA Interdepartmental Mail also offers Signature Service, which provides clients with confirmation of delivery of mail.

Contract Administration

MDA offers our broader public sector clients access to our volume based contracted courier and parcel rates. MDA invoices a percentage of actual cost as its fee to recover expenditures associated with contract administration.

Digital Printing

MDA's Variable Data Print Service provides clients with "just in time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing, and Interdepartmental lines of business. Pricing is on a per impression basis.

Home Care Equipment Rental

MDA provides a comprehensive Rental, Repair and Service Program. MDA receives and repairs any damaged or non-functioning component and disinfects the item before returning it to the active equipment rental pool. MDA carries out periodic safety checks on equipment in the field to ensure it is in good working condition. This program continues to grow, which is consistent with the demographics and growing reliance on Home Care solutions. In 2004/05, MDA increased the Home Care equipment rental rate on some equipment to cover new purchases and related servicing. In 2005/06, MDA eliminated rental charges on equipment that was eight years or older. MDA expects to see significant growth in the Employment and Income Assistance Program (EIA). MDA is tracking EIA and Child Special Services Program equipment use and EIA has asked MDA to implement an electronic tracking of equipment.

Office Equipment Service and Rental

Desktop computers have reduced the need for the Office Equipment Service Program and rental. Revenue for this line is gradually diminishing. MDA will provide this service until market demand significantly declines.

Key Copy Centres

MDA administers the Copy Centre Program and orders, ensures delivery of supplies to each copy centre and arranges for repairs and maintenance. MDA applies a per copy charge based on user's usage recorded by electronic or manual keys. As contracts are renewed or mature, Procurement Services Branch of Government Services (PSB) assesses the appropriateness of copy centre services and may replace manual keys with electronic keys. This service is expected to grow at a slow rate and is dependent on the corporate wide goals for copy centres. The Agency will evaluate the potential for corporate savings if more copy centres are introduced. MDA is aware of a corporate strategy for integrating multi-use fax printers, and believes it can deliver integrated management of copy centres and these new printers.

Warehouse and Distribution Services

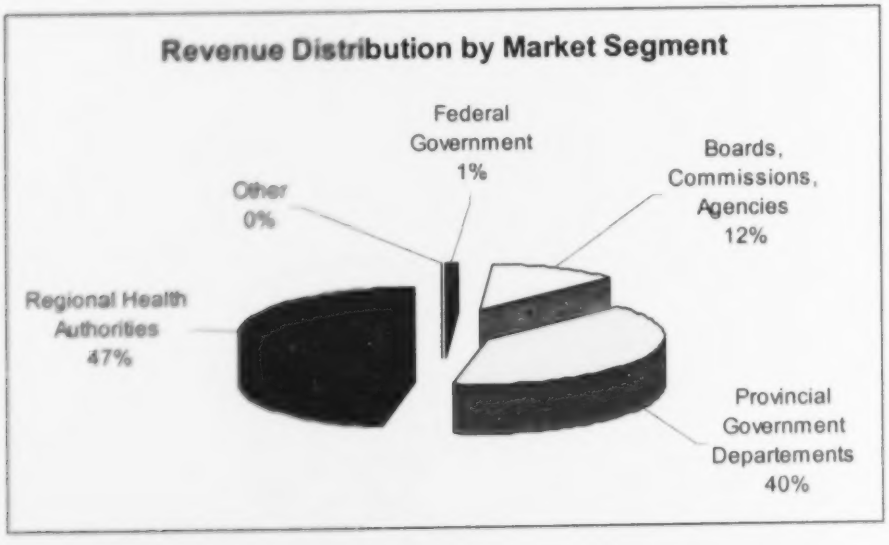
MDA provides Warehouse and Distribution Services to other agencies and departments, which includes picking and packing for provincial, national and international distribution. These services can be offered at very competitive rates and is a growth area for the Agency.

Transportation, Storage and Disposal Services

MDA provides moving services resulting in significant cost savings and positive client satisfaction feedback and continues to provide secure storage facilities at competitive rates. MDA also disposes of goods and furnishings Government offices no longer need. Often MDA reassigns these items to other agencies that have short-term needs with budget limitations. MDA disposes non-recyclable items through auction, tendered and un-tendered sales and through recycling companies

MARKET SEGMENT INFORMATION

Revenue Distribution by Market Segment - Total Revenue 2005/06 $23,026,000



WAREHOUSED PRODUCTS – DISTRIBUTION INFORMATION

Total Orders	2005/06	2004/05	2003/04	2002/03
Number of Orders	55,752	88,723	90,100	82,311
Number of Manitoba Textbook Orders	17,428	17,327	16,656	18,916

Location Distribution - Warehoused Products	2005/06	2004/05	2003/04	2002/03
Winnipeg	55%	69%	64%	71%
Rural	45%	31%	36%	29%

Delivery Distribution – Winnipeg Medical Orders	2005/06	2004/05	2003/04	2002/03
Regular	92%	73%	61%	63%
Same day	2%	13%	13%	14%
Pickup	6%	14%	26%	23%

2005/06 PROJECTS AND ACTIVITY STATUS

1. Personnel Overview

Goal: To implement activities in the core competency plan

Update on strategies	
• MDA managers will develop performance assessment strategy with Human Resources and MDA staff by March 31, 2005.	• Managers updated job descriptions, and several have introduced performance assessment. • MDA introduced merit increase approval process.
• Most areas will have begun manuals by the beginning of 2005/06.	• All areas established Standard Operating Procedure manuals. • Technicians completed manual.
• All job bulletins, screening criteria and interview questions should reflect core competency values.	• All job bulletins and criteria for posted positions reflect core competency skill requirements.

Goal: To develop a plan to limit loss of corporate knowledge

Update on strategy	
• All areas will have processes and policies manuals to facilitate cross training and standardize processes by September 30, 2005.	• All areas established Standard Operating Procedure Manuals.

Goal: To increase employee satisfaction and a respectful workplace

Update on strategy	
• To implement a Wellness Committee during the 2005/06 fiscal year.	• MDA implemented a wellness committee and introduced some Wellness Strategies including meeting with the Seven Oaks Wellness Centre, and hosted an information session for staff • A wellness survey was completed by 50% of staff in the 4th quarter. Report due in 1st quarter, 2006/07

Goal: To improve internal communication with staff regarding the new Agency's policies and activities

Update on strategies	
• To continue to record staff/management decisions in the new Agency.	• Regular meetings held in each area.
• To continue to develop a Policy Manual that records staff/ management decisions on issues and policies.	• MDA continues to write its Policy Manual.
• To hold 10 MDA Unit Meetings per year.	• MDA held all meetings.
• To hold two Agency Wide Training Sessions/Meetings per year.	• MDA offered one Agency wide course to employees on effective working relationships in the first quarter. Diversity training began in the fourth quarter and customer service training options for staff researched.

2. Logistics Overview

Goal: To increase employee job satisfaction and enhance management potential of employees by offering logistics learning plans and a safe environment

Update on strategies	
• To develop a complete Workplace Health and Safety Plan.	• All warehouse departments held quarterly meeting with staff. Employees are encouraged to bring up concerns/ideas on safety and productivity improvements (many have been implemented). A different safety topic is discussed in each meeting. • The Logistics Manager held a quarterly Supervisor meeting. A safety and management training topic are part of the proceedings. • The Logistics Manager hosted full warehouse meetings with all departments. Cross departmental concerns are discussed and staff involvement is welcomed. Another different safety topic is relayed to staff. • MDA's safety committee met on a regular basis and brings safety concerns of staff to the management team for rectification. • All of MDA's staff participated in the Core Competency Modeling training. Learning paths will be developed in the future. • Complete Health and Safety plan is under development with projected completion date of December 31/06. • MDA is developing suspicious package guidelines and Standard Operating Procedures for Mail Services and satellite offices. Projected roll out: August 24/06

Goal: To have reliable measurements and clearly written process manuals

Update on strategies	
• To develop a formal quality assurance program including standard operating procedures, measurement tools and statistical analysis by January 31, 2007.	• Benchmark setting: warehouse staff are reporting the number of orders picked/received/shipped, number of lines. Reports are being created or developed for picked/received, accuracy (errors), turn around times, returns and credits for all departments. • Managers identified key performance indicators for reporting in the 4th quarter.

Goal: To use industry best practices and reduce or eliminate repetitive and unnecessary processes

Update on strategies:

- To research feasibility of bar coding all products within the distribution centre by March 31, 2006.
  - Proposal was created for a pilot project. Canada Post deadline is Dec 31, 2006.
- To develop and track service standards for error rates, productivity and turnaround time by June 1, 2005.
  - Error rate statistics developed for all departments in the distribution center (complete).
- To complete a logistical analysis to source the cost of an order or error.
  - Ongoing – Project includes Finance, Marketing & Client Service departments.

Goal: To increase client use of moving services and to efficiently track storage usage and availability of space

Update on strategies:

- To research the potential of augmenting the new Agency's rental program for all storage related activities by October 31, 2006.
  - Rental program development was delayed. IT is currently looking at other available options for MDA's storage needs. Deferred to 2006/07.
- To provide enhanced moving services to rural clients and explore new business opportunities within Winnipeg by utilizing staff expertise.
  - MDA is working with ASD to provide enhanced face to face contact with rural clients.
  - MDA's moving department completed 15 moves in fiscal 05/06 for rural clients (up from 5 in 04/05).

Goal: To provide consistent transportation to clients at the lowest cost

Update on strategies

- To explore development of province wide shipping contracts for rural and Winnipeg areas that will benefit all clients by February 28, 2007.
  - Negotiations are underway with sole service provider for rural shipping to cover the entire province. Contract may include performance standards.
- To create reliable shipping/receiving statistics to track productivity and accuracy within fiscal year.
  - Errors are currently tracked and compiled in both areas. Rural freight spreadsheet created for enhanced statistical analysis.
  - Logistic Manager is working with Canada Post, Purolator, Pitney Bowes and MDA's IT department to electronically track turn around times.

3. Marketing Overview

Goal: To initiate a formal review process of existing product lines and services with assessment of product life cycles, removal and introduction strategies and introduce at least ten new products per month.

Update on strategies	
• To carry out an annual product and services review.	• Initiated regular purchasing and marketing meetings to create formal review process for product management.
• To drive new product Standard Operating Procedures (SOP) by January 1, 2006.	• New product SOP completed and implemented. Initiated development of SOP for Defective Products.
• To obtain Focus group training and hold one focus group on new products for both non-medical and medical segment clients by fiscal year end.	• Introduced product promotion session in the Norquay & Woodsworth buildings in December. Four product review committees were set up to provide input for new and existing products. Focus group deferred.

Goal(s): To review the new Agency's pricing strategies and make changes to ensure financial longevity. To review costs and prices for certain mail activities (IDM labels, signature service and Federal Mail Sortation fees).

Update on strategies	
• To carry out a review of mail, print and finishing services pricing by March 31, 2006.	• In progress
• To initiate system changes for pricing strategy by March 31, 2006.	• In progress

Goal: To ensure client contact strategies are initiated, implemented and measured and to develop and ensure continual improvement of Agency marketing vehicles.

Update on strategies	
• To ensure client contact strategy is implemented and maintained geared at increasing revenues.	• Client contact strategy completed and initiated. Updated client reports and refined client contact strategy took place in the 3rd quarter.
• To meet with at least three new and/or existing clients per month.	• Met with Parkland RHA, North Eastman RHA and Central RHA to discuss MDA service provision.
• To coordinate on-going meetings with new Agency and client staff to promote program standards.	• On-going.
• To identify and pursue a new business opportunity each month.	• Met with Healthy Child Manitoba to discuss distribution for the Triple P Program; Human Resource Executives requested MDA provide promotional products for government retirees. Community Stroke Care meeting was set up to discuss potential services. On-going work on Construction and Building Services Proposal.

• To coordinate three training sessions for clients throughout the fiscal year and corresponding training manuals by March 31, 2006.	• On-going
• To launch the new website and develop annual web promotion strategy by March 31, 2006.	• In progress. Design completed and rollout projected for September 1, 2006
• To continue catalogue publications, update Agency materials and launch new communication strategy.	• Justice Catalogue distributed to Correctional and Youth Centres, Incontinence Catalogue Update distributed to RHAs. Internal Communications Standards introduced internally January, 2006.

Goal: To create a sustainable competitive advantage through re-branding and differentiating the new Agency by providing excellent customer service and on-time delivery.

Update on strategies	
• To identify service gaps negatively affecting marketing efforts.	• Identified the requirement to guarantee rural delivery times, and provide equipment set-up in rural Manitoba.
• To use organizational tools to ensure service gaps are closed.	• On-going

4. Client Services Overview

Goal: To improve and measure service to MDA clients

Update on strategies	
• To monitor the service standards throughout 2005/06.	• On-going.
• To hold at least two customer-focused training sessions in 2005/06.	• Individual training on-going. Researching organization wide customer service training programs.

Goal: To track and manage EIA equipment and maintenance servicing requirements.

Update on strategies	
• To track increases in technical installations volumes in one fiscal year.	• Tracking all levels of volumes. Program growth has exceeded existing resources.
• To track hours spent on servicing EIA medical equipment in one fiscal year.	• IT staff created report to support on-going tracking.

Goal: To develop standardized freight costs for inbound and outbound equipment for regional clients.

Update on strategies	
• To establish a rural truck contract to effect a decrease in freight charges and better delivery times in 2005/06.	• On-going negotiations with suppliers.
• To review rental rates and evaluate overall equipment program costs.	• On-going.

Goal: To establish phone service standards and evaluate the phone call center effectiveness of the last two years.

Update on strategies	
• To develop service standards by April 2005.	• Completed. Standard updated in the 3rd quarter and implemented in the 4th quarter.
• To carry out an evaluation of the phone system.	• Completed.

5. Mail & Print Services Overview

Goal: To provide enhanced mail services through completion of the MMA & MDA amalgamation.

Update on strategies	
• To move all staff and equipment to the St. James Street site.	• Move completed and all areas up and running on January 16/06.
• To review all products and services to determine if changes need to be made by September 1, 2006.	• Delays in the move affected completion date. Activity is underway.
• To examine all material equipment by April 1, 2005.	• Completed. Obsolete equipment was sold or recycled.

Goal: To determine the viability of satellite offices.

Update on strategies	
• To review satellite operations to determine if time is available to offer additional products and services by March 31, 2006.	• Pilot project of Legislative satellite office is planned with a start up date of August/06.
• To determine which products and services would be most beneficial to clients.	• Project team established. • Will be determined with pilot project of legislative office.

Goal: To undertake an analysis of the costs associated with finishing and print services to assist in the determination of values and fees.

Update on strategies	
• To complete a segmented income statement and revenue analysis of these services by August 2005.	• Segmented income statement completed.
• To determine the cost and future opportunities for these services by September 2006.	• Delay in the move has deferred this activity. Management has started this analysis.

6. Purchasing & Contracts

Goal: To encourage development of skills and knowledge of Contracts and Purchasing staff by June 2005

Update on strategies	
• To develop process manuals that detail ordering processes.	• Standard Operating Procedures are in place and updated as required.
• To develop succession plan and learning path for possible successors for manager by April 2005.	• Incumbent manager retired and a new manager appointed July 2005. Staff are reviewing learning opportunities.
• To enhance Agency's relationship to other agencies within Supply and Services.	• On-going meetings are held to strengthen relationships.

Goal: To reduce the number of back orders to MDA clients and additional associated handling and freight costs to MDA by June 2005

Update on strategies	
• To maintain average stocked response rates to greater than 98.5% of all items carried, excluding lab and x-ray supplies.	• Continuously review and adjust re-order and maximum stock levels.
• To obtain additional G.P. Dynamics training for staff within the Purchasing Module.	• Received smart list training in 1st and 2nd quarters.
	• Increased communication with vendors and present available options within the terms of the contract.
• To develop a report to identify number of items on backorder and total number of backorders at any time.	• A backorder report was created and the back orders are within established targets and reviewed on a regular basis.

7. Finance & Information Technology Overview

Goal: To support all Agency areas by providing sound, stable and responsive financial advice.

Update on strategies

• To merge two accounting systems by April 2005.	• As of April 2005, all information is in MDA's Great Plains. Data from MMA's system was transferred and verified as of April 2005. • An interface now exists between Mail Services billing system and Great Plains.
• To complete a segmented income statement by August 2005.	• Segmented statement created by September 2005.

Goal: To assist in implementing a technology system with an e-commerce solution to meet the market demands of the new Agency.

Update on strategy

• To assist in developing permanent e-sales order solution for clients by January 2006.	• In progress. • Team is participating in government e-commerce meetings.

Goal: To provide on-going user, client and system support on a day to day basis to ensure technology goals are met.

Update on strategy

• To develop a life cycle management plan for both custom hardware and software to ensure migration paths are factored into annual budget planning.	• Two training sessions occurred for staff. (One from internal resources and one from the vendor). These sessions will be ongoing throughout the year on specific areas.

Goal: To ensure clients are paying their invoices on a timely basis.

Update on strategies

• To dedicate A/R staff to payment collection.	• Two staff are dedicated to collection of A/R. Outstanding balances are reduced.
• To provide communications to managers on status of receivables.	• Updates to managers provided monthly.

Goal: To provide managers with accounting expertise and analysis of specific functions of operations

Update on strategies

• To provide timely financial reporting to managers through FRX on a monthly basis.	• Reports provided at weekly operational meetings.
• To create Just-in-Time accounting analysis teams to work on projects.	• In place awaiting project identification.

Goal: To manage all aspects of SOA reporting and directions required by Treasury Board	
Update on strategies	
• To file all quarterly reports by required dates.	• Filed all quarterly reports.
• To file 2004/05 Annual Report by required date.	• Annual report and PSO filed on time.
• To file Business Plan by required date.	• Completed on time.

FINANCIAL OVERVIEW

Review of Operations

MDA has seen the volume and breadth of products grow in most commodity lines. Current clients are ordering more of products commonly stocked, while also requesting that MDA expand its lines of goods. As Government agencies are asked to contain their spending, they look to MDA to assume warehousing and distributing at a lower cost.

The following financial review and analysis compare the actual results for the year ended March 31, 2006 to the projections for the same period and to the actual results for the year ended March 31, 2005.

MDA reported net loss of $14,000 for the year ended March 31, 2006 compared to a projected loss of $106,000 for 2006 and actual of $60,000 for the year ended March 31, 2005

	2006 Actual	2006 Projected	2006 Actual vs. Projected Increase (Decrease)	2005 Actual	2006 Actual vs. 2005 Actual Increase (Decrease)
Warehouse Sales	12,456	9,487	2,969	14,038	(1,582)
Cost of goods sold	10,090	7,759	2,331	11,540	(1,440)
Gross profit	2,366	1,728	638	2,498	(142)
Service Revenue	9,982	10,046	(64)	3,882	6,100
Software Revenue	586	2,585	(1,997)	2,774	(2,186)
Total Revenue	12,936	14,359	(1,423)	9,154	3,782
Expenses					
Salaries & benefits	3,932	3,602	330)	2,997	935
Occupancy costs	826	773	53	631	195
Software purchases	688	2,500	(1,812)	2,764	(2,078)
Administrative	7504	7,590	(86)	2,702	4,803
Total Expenses	12,950	14,465	(1,515)	9,094	3,855
Net income/(loss)	(14)	(106)	92	60	(74)
Retained Earnings	3,561	3,699	(138)	3,530	31
Revenue Sharing	400	400	–	400	–

* Software procurement is now a function of MICT.

Financial Position

The Agency did not have to use its working capital payable line of credit at any time during this fiscal year. The Agency has no working capital payable outstanding.

Remaining cash generated by operations was used to purchase capital and other assets and to pay revenue sharing amounts to the Consolidated Fund ($400).

Ratio Analysis

Ratio analyses comparing actual to projected calculated amounts are provided in the table below.

Ratio	Actual 2006	Actual 2005	Actual 2004	Actual 2003
Return on total revenue	- .002 %	.003%	1.94%	1.95%
Return on average assets	.003%	.006%	4.7%	5.4%
Gross profit percentage	19.00%	17.80%	22.19%	19.65%
Debt to equity	.39 to 1	.45 to 1	.44 to 1	.50 to 1
Current ratio	1.81 to 1	1.73 to 1	1.84 to 1	2.50 to 1
Days Sales in receivables	48 days	67 days	69 days	49 days
Inventory turnover	6.16 times	5.99 times	7.70 times	7.75 times

Performance Measures

	Actual 2006	Actual 2005	Actual 2004	Actual 2003
Turn Around Time (within MDA)				
Health Orders - Urban	1	1	2	2
Health Orders- Rural	2	2	3	3
Other goods - Urban	1	1	3	3
Other goods - Rural	2	2	5	5
MTBB	3	3	3	3
No. Sales Invoices	62,216	89,404	88,512	90,918
No. Inventory Items	4,149*	4,628	3,755	4,359
Abandoned Client Phone Calls	23%	23%	27%	n/a

* Computer software items are no longer included in stock line items count.

MATERIALS DISTRIBUTION AGENCY

Financial Statements

For The Year Ended March 31, 2006

(In Thousands)

Materials Distribution Agency
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with Canadian generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants LLP, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

The Advisory Board has scheduled meetings with management to review accounting practices, financial reporting and to discuss the audit result. The auditors have free and full access to this Board, to discuss the results of the audit and their views on the adequacy of internal controls and the quality of financial reporting.

Susan Boulter
A/Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2006 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2006 and the results of its operations and changes in cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 2, 2006

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2006

	2006	2005
ASSETS		
CURRENT		
Cash and short term investments (note 8)	$ 1,040	$ 575
Accounts receivable	3,090	4,502
Inventories (notes 2 and 3)	1,437	1,838
Prepaid expenses	186	243
	5,753	7,158
RECEIVABLE – PROVINCE OF MANITOBA (note 4)	412	412
EQUIPMENT (notes 2 and 5)	1,404	1,341
OTHER ASSETS (notes 2 and 6)	473	520
	$ 8,042	$ 9,431
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 2,838	$ 3,757
Current portion of lease obligation (note 7)	7	42
	2,845	3,799
CAPITAL LEASE OBLIGATION (note 7)	-	30
SEVERANCE LIABILITY (note 9)	339	330
	3,184	4,159
EQUITY		
CONTRIBUTED EQUITY (note 10)	1,297	1,297
RETAINED EARNINGS	3,561	3,975
	4,858	5,272
	$ 8,042	$ 9,431

Commitments (note 11)

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2006

	2006	2005
NET WAREHOUSE SALES, note 2, schedule 1	$12,456	$14,038
COST OF GOODS SOLD	10,090	11,540
GROSS PROFIT	2,366	2,498
SERVICE REVENUE, note 2, schedule 1	9,982	9,886
SOFTWARE REVENUE, note 2	588	2,774
NET REVENUE	12,936	15,158
EXPENSES		
Salaries and benefits	3,932	3,974
Occupancy costs	826	751
Software Purchases	688	2,764
Administrative expenses, schedule 2	7,518	7,502
	12,964	14,991
NET INCOME (LOSS) FROM OPERATIONS	(28)	167
GAIN ON DISPOSAL OF ASSET UNDER CAPITAL LEASE	14	-
NET INCOME (LOSS)	(14)	167
RETAINED EARNINGS, beginning of year	3,975	4,208
REVENUE SHARING – Province of Manitoba	(400)	(400)
RETAINED EARNINGS, end of year	$ 3,561	$ 3,975

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

STATEMENT OF CASH FLOW
(In Thousands)
YEAR ENDED MARCH 31, 2006

Increase (decrease) in cash and cash equivalents	2006	2005
Operating		
Net income (loss)	$ (14)	$ 167
Amortization	825	903
Gain on disposal of asset under capital lease	(14)	-
	797	1,070
Change in		
Accounts receivable	1,412	41
Inventories	401	177
Prepaid expenses	57	(18)
Accounts payable and accrued liabilities	(919)	(50)
Severance liability	9	21
	1,757	1,241
Investing		
Proceeds on disposal of asset under capital lease	48	-
Acquisition of rental equipment	(469)	(692)
Acquisition of equipment	(41)	(40)
Acquisition of leasehold improvements	(289)	-
Acquisition of other assets	(76)	(67)
	(827)	(799)
Financing		
Revenue sharing – Province of Manitoba	(400)	(400)
Lease obligations	(65)	(38)
	(465)	(438)
Increase (decrease) in cash and short term investments	465	4
Cash and short-term investments, beginning of year	575	571
Cash and short-term investments, end of year	$ 1,040	$ 575

See Accompanying Notes To Financial Statements

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

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1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management. Effective April 1, 1996, the Postal Service was renamed Mail Management Agency (the "Agency") and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2005, the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency since that time.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

1. NATURE OF ORGANIZATION, continued

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Inventories

Inventories are valued at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is amortized annually at the following rates and bases:

Computer equipment	- 20%, straight-line basis
Fixtures	- 20%, straight-line basis
Office equipment	- 20%, diminishing balance basis
Warehouse equipment	- 20%, diminishing balance basis
Leasehold improvements	- over 5 years, straight-line basis

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life".

Rental equipment	- over 2, 3 or 5 years, straight-line basis

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Other Assets

Other assets are recorded at cost and are amortized at the following rates on a straight-line basis:

Computer conversion	- over 5 years
Relocation expenses	- over 10 years

Revenue Recognition

Warehouse sales are normally recognized when the products are shipped, service revenues are recognized on the provision of services, and software revenue is recognized when products are shipped and when collection is reasonably assured.

3. INVENTORIES

	2006	2005
Medical supplies	$ 709	$ 1,249
Equipment	53	29
Golden Boy	-	20
Stationery	494	401
Janitorial	170	125
New furniture	11	14
	$ 1,437	$ 1,838

4. RECEIVABLE – PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of the Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

4. RECEIVABLE – PROVINCE OF MANITOBA, continued

The receivable, or portion thereof, for the Agency will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

	2006	2005
Vacation	$ 116	$ 116
Severance	296	296
	$ 412	$ 412

5. EQUIPMENT

	Cost	Accumulated Amortization	2006 Net	2005 Net
Computer equipment	$ 164	$ 143	$ 21	$ 37
Production equipment	405	325	80	155
Fixtures	107	107	-	-
Office equipment	64	60	4	-
Warehouse equipment	418	262	156	165
Leasehold improvements	690	404	286	26
Rental equipment	3,597	2,740	857	958
	$ 5,445	$ 4,041	$ 1,404	$ 1,341

6. OTHER ASSETS

	Cost	Accumulated Amortization	2006 Net	2005 Net
Computer conversion	$ 1,447	$ 1,188	$ 259	$ 327
Relocation expense	286	72	214	193
	$ 1,733	$ 1,260	$ 473	$ 520

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

7. CAPITAL LEASE OBLIGATION

	2006	2005
DeLage Landen capital lease repayable in quarterly payments of $2. The capital lease ends on December 31, 2006.	$ 7	$ 17
Pitney Bowes capital lease	-	8
Xerox Canada capital lease	-	47
	7	72
Amounts payable within one year	(7)	(42)
	$ -	$ 30

8. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $2,300 of which none ($231 – 2005) was used at March 31, 2006. Cash and short term investments are net of the working capital payable.

9. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on a annual basis. The Materials Distribution Agency actuarially determined net liability for accounting purposes as at March 31, 2006 was $339 (2005-$330). Commencing in the 2006 fiscal year the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

10. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventory and capital assets valued at $1,464 required for the continuing operations of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1996 MMA

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of $51 (being one-half of the value of the assets) and recorded the balance of $51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

Loan Authority – April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

11. COMMITMENTS

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5 year option commencing May 1, 2003.

The payments over the next five years are:

2006/07	$453
2007/08	453
2008/09	521
2009/10	521
2010/11	521

Revenue Sharing

The Agency's approved 2006/07 Business Plan calls for $400 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2006/07.

Equipment Lease

The Agency has entered into a 5 year lease with Xerox for printing equipment. The lease is being paid yearly with payments of $30 annually.

Rental Agreements

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (200 Vaughan Street, Winnipeg; 405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 – 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2006 were $93, whereas charges for the year ended March 31, 2005 were $120.

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

12. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provision of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation (CSSB).The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Materials Distribution Agency, through the Civil Service Superannuation Fund (CSSF)

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency is required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2006 was $166 (2005 - $ 153).

13. INTEREST RECEIVED

The Agency received interest during the year of $ 28 (2005 - $14).

14. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2006, the following employees received compensation in excess of $50.

Name	Position	2006	2005
Ailyn Almendral	IT- Systems Administrator	$60	$ 57
Susan Boulter	A/Chief Operating Officer	85	84
Joel Hershfield	Manager of Finance and Technology	66	65
Ted Norrington	Financial Analyst	53	54
Kathy Kupfer	Marketing Manager	59	59
Glen Dela Cruz	IT Support	52	-
Wes Dropko	IT Services	55	52
Greg Bowers	Marketing and Communications	59	59
Dave Bishop	Logistics Manager	52	-
Rhonda Boyd	Client Services Manager	50	-

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2006

15. FINANCIAL INSTRUMENTS

The Agency's financial instruments consist of cash and short term investments, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities and severance liability. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

16. COMPARATIVE FIGURES

The comparative figures have been restated to reflect the amalgamated operations of MDA and MMA.

Schedule 1

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

SCHEDULE OF WAREHOUSE SALES & SERVICE REVENUE
(In Thousands)
MARCH 31, 2006

	2006	2005
Warehouse Sales		
Medical supplies	$ 5,748	$ 8,836
Stationery	3,109	2,788
Health Equipment	620	516
Janitorial	1,098	1,019
Furniture	1,863	870
Special Projects	18	9
	$ 12,456	$ 14,038
Service Revenue		
Manitoba Textbook Bureau	$ 309	$ 278
Home Care equipment rentals	1,857	1,819
Office equipment – copy centres	616	624
Office equipment – maintenance program	71	74
Disposal	9	14
Freight	511	564
Moving	384	275
Storage	83	67
Special Projects	84	91
Mail Processing	4,772	4,842
Inter Departmental Mail	586	584
Mail Finishing	418	384
Printing	138	124
Contract Management	53	70
Other Income	91	76
	$ 9,982	$ 9,886

Schedule 2

MATERIALS DISTRIBUTION AGENCY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba

SCHEDULE OF ADMINISTRATIVE EXPENSES
(In Thousands)
MARCH 31, 2006

	2006	2005
ADMINISTRATIVE EXPENSES		
SOAFA fees	$ 2	$ 2
Professional services	25	23
Amortization	825	903
Computer	183	220
Office	133	114
Promotion and marketing	50	43
Telephone	61	51
Training	13	14
Freight	894	743
Moving	199	143
Warehouse Supplies	119	71
Copy Centre	409	408
Equipment Rentals	73	122
Vehicles	44	36
Mail Services	4,405	4,566
Miscellaneous	83	43
	$ 7,518	$ 7,502